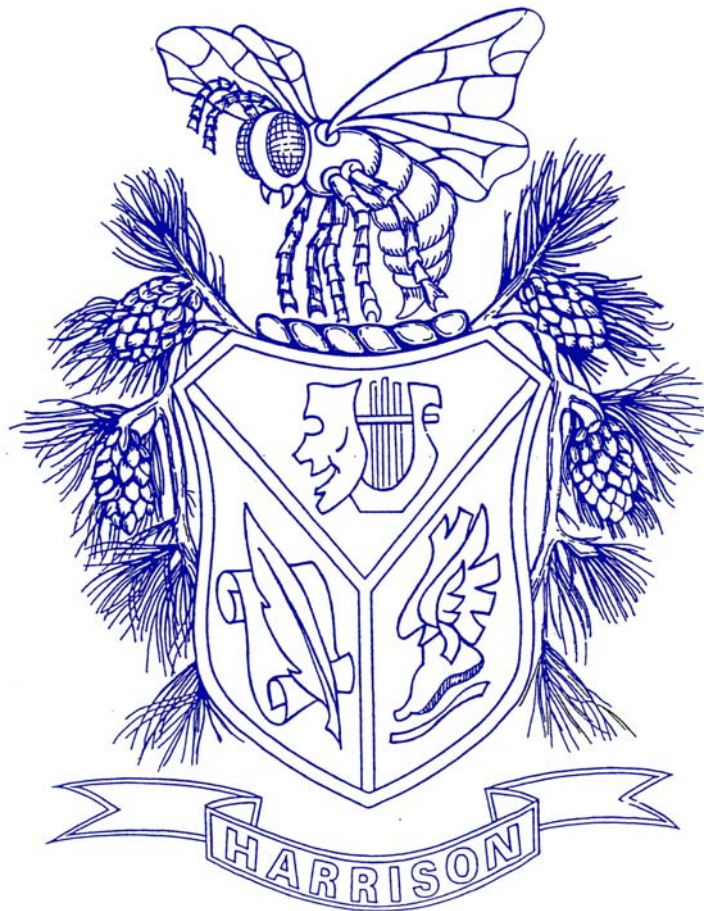


# **Harrison Community Schools**

Financial Report  
with Supplemental Information  
Including Compliance Information

**Year Ended June 30, 2007**



# **Harrison Community Schools**

Financial Report  
with Supplemental Information  
Including Compliance Information

Year Ended June 30, 2007

# HARRISON COMMUNITY SCHOOLS

## YEAR ENDED JUNE 30, 2007

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**HARRISON COMMUNITY SCHOOLS**  
**YEAR ENDED JUNE 30, 2007**

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**HARRISON COMMUNITY SCHOOLS  
ADMINISTRATIVE PERSONNEL  
June 30, 2007**

**Board of Education**

Joel Hardy	President
David Rowe	Vice- President
Raye Lynn Walraven	Secretary
Karen Zaborowski	Treasurer
Doug Cobb	Trustee
Shelly Schultz	Trustee
Denise Haskin	Trustee

**Superintendent**

Christopher Rundle

**Business Manager**

R. Kelly Hileman

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

October 16, 2007

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Harrison Community Schools  
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harrison Community Schools, Harrison, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harrison Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Community Schools, Harrison, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, on our consideration of Harrison Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harrison Community Schools, Harrison, Michigan basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# **HARRISON COMMUNITY SCHOOLS ADMINISTRATION'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This section of Harrison Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

## **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Harrison Community Schools financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund - the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Administration's Discussion and Analysis  
(Required Supplemental Information)

### **Basic Financial Statements**

District-Wide Financial Statements                      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)  
Budgetary Information for the General Fund

Other Supplemental Information

Compliance Information

## **Reporting the School District as a Whole - District-wide Financial Statements**

One of the most important questions asked about the School District is "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.



# HARRISON COMMUNITY SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statements of activities) and the governmental funds in a reconciliation.

#### The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

**TABLE 1**

	Governmental Activities	
	June 30, 2007	June 30, 2006
<b>Assets</b>		
Current Assets	\$ 5,334,126	\$ 4,746,106
Noncurrent Assets	12,949,127	13,757,904
Total Assets	<u>18,283,253</u>	<u>18,504,010</u>
<b>Liabilities</b>		
Current Liabilities	3,016,880	3,306,858
Noncurrent Liabilities	11,379,335	12,345,846
Total Liabilities	<u>14,396,215</u>	<u>15,652,704</u>
<b>Net Assets</b>		
Invested In Property and Equipment - Net of related debt	1,848,173	1,736,829
Restricted	300,712	347,639
Unrestricted	1,738,153	766,838
Total Net Assets	<u>\$ 3,887,038</u>	<u>\$ 2,851,306</u>

# HARRISON COMMUNITY SCHOOLS

## ADMINISTRATION'S DISCUSSION AND ANALYSIS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$3,887,038 at June 30, 2007. Capital assets, net of related debt totaling \$1,848,173 compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$300,712 are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$1,738,153 are unrestricted.

The \$1,738,153 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

**TABLE 2**

	Governmental Activities	
	June 30, 2007	June 30, 2006
<b>Revenue</b>		
Program revenue:		
Charges for Services	\$ 326,511	\$ 353,809
Grants and Categoricals	3,693,749	4,047,029
General Revenue:		
Property Taxes	4,321,174	3,956,905
State Foundation Allowance	9,382,811	10,008,733
Other	316,306	103,690
Total Revenue	<u>18,040,551</u>	<u>18,470,166</u>
<b>Function/Program Expenses</b>		
Instruction	10,325,638	11,434,001
Support Services	5,259,313	5,569,755
Athletics	285,705	252,176
Food Services	762,504	780,469
Community Services	209,871	208,367
Payments to Other Districts and Site Improvement	15,101	34,620
Interest and Fees on Long Term Debt	580,860	628,759
Total Expenses	<u>17,438,992</u>	<u>18,908,147</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 601,559</u>	<u>\$ (437,981)</u>

As reported in the statement of activities, the cost of our governmental activities this year was \$17,438,992. Certain activities were partially funded from those who benefited from the programs through charges for services (\$326,511) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$3,693,749). We paid for the remaining "public benefit" portion of our governmental activities with \$4,321,259 in taxes, \$9,382,811 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a increase in net assets of \$1,035,732. Key reasons for the change in net assets was the sale of two buildings and a fleet of buses, resulting in a net gain on all sales.

# **HARRISON COMMUNITY SCHOOLS ADMINISTRATION'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

## **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,681,630, which is an increase of \$834,731 from last year. The primary reason for the increase was General Fund revenues exceeded expenditures by \$867,175, due to the sale of two buildings and a fleet of buses.

Our Special Revenue Funds decreased from the prior year, showing a net decrease of \$34,605.

Combined, the Debt Service Funds showed a fund balance increase of \$2,161. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

## **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues and financial sources were increased \$8,337 which is a 0.05% increase overall from the original budget. Local sources were increased due to increases in property taxes and anticipated interest earnings. State sources were decreased due to a decrease in the student count; and Federal Sources were decreased to reflect secured grant allocations. Other financing sources were increased to reflect the sale of fixed assets.

Budgeted expenditures and financial uses were decreased \$528,732, which is a 3.2% decrease from the original budget. Primarily this was to reflect the decrease in expenditures based on program cuts.

Variances between the final budget and actual amounts were insignificant in total. However, the actual amounts compared to the budget by function level vary slightly, causing a few budget violations at the legal level of adoption. This is primarily a result of accruals of unanticipated costs invoiced subsequent to the June 30, 2007 final budget adoption.

# HARRISON COMMUNITY SCHOOLS ADMINISTRATION'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2007 the School District had \$12,857,050 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. The amount represents a net decrease (including additions and disposals) of \$801,060 or 5.8%, from last year.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Land	\$ 239,002	\$ 289,002
Buildings and Improvements	18,707,659	19,001,481
Buses and Other vehicles	49,500	1,619,503
Furniture and Equipment	<u>470,471</u>	<u>461,071</u>
Total Capital Assets	<u>19,466,632</u>	<u>21,371,057</u>
Less Accumulated Depreciation	<u>(6,609,582)</u>	<u>(7,712,947)</u>
Net Capital Assets	<u>\$ 12,857,050</u>	<u>\$ 13,658,110</u>

The actual additions for the year were \$17,900 and included a vehicle purchase and a mower purchase.

The total net capital assets decreased from last year due to the sale and disposal of several assets. In order for the district to maintain capital assets at their June 30, 2006 book value the district would have needed to invest an additional \$452,516 in capital outlay during the year, i.e., the district's assets are depreciating faster than the district is investing in new or replacement equipment.

We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At June 30, 2007, the School District had \$13,055,551 in long-term debt obligations outstanding. This amount represents a net decrease (including additions and payoffs) of \$644,773, or 4.7%, from last year.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Bonded Debt	\$ 11,262,950	\$ 11,991,275
Bus Contracts Payable	-	28,800
Severance Agreements Payable	1,081,747	1,258,159
Compensated Absences Payable	<u>358,030</u>	<u>422,090</u>
Total Long-Term Debt Obligations	<u>\$ 12,702,727</u>	<u>\$ 13,700,324</u>

We present more detailed information about our long-term liabilities in the notes to the financial statements.

## **Contacting the School District's Financial Management**

The financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, 224 W Main, Harrison, Michigan 48625.

**HARRISON COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

Statement I

Governmental  
 Activities

2007

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 2,755,660
Due from Other Governmental Units	2,263,719
Accounts Receivable	13,525
Inventories	109,683
Prepaid Expenses	<u>191,539</u>
Total Current Assets	5,334,126

**Noncurrent Assets**

Deferred Bond Issue Costs	92,077
Capital Assets	19,466,632
Less: Accumulated Depreciation	<u>(6,609,582)</u>
Total Noncurrent Assets	<u>12,949,127</u>

**Total Assets**

**\$ 18,283,253**

**Liabilities and Net Assets**

**Liabilities**

**Current Liabilities**

Accounts Payable	\$ 91,455
Short Term Notes and Contracts Payable	157,072
Accrued Salaries and Withholdings	1,337,015
Accrued Interest	49,088
Deferred Revenue	58,858
Bonds & Notes Payable, due within one year	1,010,000
Compensated Absences and Severance Pay, due within one year	<u>313,392</u>
Total Current Liabilities	3,016,880

**Noncurrent Liabilities**

Bonds & Notes Payable	10,252,950
Compensated Absences and Severance Pay	<u>1,126,385</u>
Total Noncurrent Liabilities	<u>11,379,335</u>

**Total Liabilities**

**14,396,215**

**Net Assets**

Invested in Capital Assets, Net of Related Debt	1,848,173
Restricted for Debt Service	300,712
Unrestricted	<u>1,738,153</u>

**Total Net Assets**

**3,887,038**

**Total Liabilities and Net Assets**

**\$ 18,283,253**

**HARRISON COMMUNITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

Statement II

		Program Revenues		Governmental
		Charges for	Operating	Activities
	Expenses	Services	Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Functions / Programs</b>				
Primary Government-				
Governmental Activities:				
Instruction	\$ 10,325,638	\$ 32,362	\$ 2,536,585	\$ (7,756,691)
Support Services	5,259,313	285	611,290	(4,647,738)
Athletics	285,705	71,727	140	(213,838)
Food Services	762,504	222,137	510,844	(29,523)
Community Services	209,871	-	34,890	(174,981)
Payments to Other Districts and Site				
Improvement	15,101	-	-	(15,101)
Interest and Fees on Long Term Debt	580,860	-	-	(580,860)
<b>Total Governmental Activities</b>	<b><u>\$ 17,438,992</u></b>	<b><u>\$ 326,511</u></b>	<b><u>\$ 3,693,749</u></b>	<b><u>(13,418,732)</u></b>
<b>General Revenues:</b>				
Taxes				
Property Taxes, Levied for General Purposes				3,258,430
Property Taxes, Levied for Debt Services				1,062,744
State Aid Not Restricted to Specific Purposes				9,382,811
Interest and Investment Earnings				115,965
Gain on Sale of Capital Assets				434,173
Other				200,341
<b>Total General Revenues</b>				<b><u>14,454,464</u></b>
<b>Change in Net Assets</b>				<b>1,035,732</b>
<b>Net Assets - Beginning of the Year</b>				<b><u>2,851,306</u></b>
<b>Net Assets - End of the Year</b>				<b><u>\$ 3,887,038</u></b>

**HARRISON COMMUNITY SCHOOLS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

Statement III

	General Fund	Other Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,147,898	\$ 607,762	\$ 2,755,660
Taxes Receivable	8,318	983	9,301
Accounts Receivable	3,881	343	4,224
Due from Other Funds	68,197	4,565	72,762
Due from Other Governments	2,252,962	10,757	2,263,719
Inventories	91,850	17,833	109,683
Prepaid Items	191,539	-	191,539
<b>Total Assets</b>	<b><u>\$ 4,764,645</u></b>	<b><u>\$ 642,243</u></b>	<b><u>\$ 5,406,888</u></b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 61,267	\$ 30,188	\$ 91,455
Due to Other Funds	4,565	68,197	72,762
Withholdings Payable	15,982	-	15,982
Accrued Items	645,401	-	645,401
Salaries Payable	675,632	-	675,632
Notes Payable	157,072	-	157,072
Deferred Revenue	66,146	808	66,954
<b>Total Liabilities</b>	<b><u>1,626,065</u></b>	<b><u>99,193</u></b>	<b><u>1,725,258</u></b>
<b>Fund Balances</b>			
Reserved for Inventories	91,850	17,833	109,683
Reserved for Prepaid Items	191,539	-	191,539
Reserved for Debt Service	-	349,800	349,800
Unreserved-Designated reported in:			
General Fund - Capital Improvements	708,884	-	708,884
General Fund - Operating Contingency	2,146,307	-	2,146,307
Special Revenue Funds	-	175,417	175,417
<b>Total Fund Balance</b>	<b><u>3,138,580</u></b>	<b><u>543,050</u></b>	<b><u>3,681,630</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 4,764,645</u></b>	<b><u>\$ 642,243</u></b>	<b><u>\$ 5,406,888</u></b>

**HARRISON COMMUNITY SCHOOLS  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

Statement IV

	General Fund	Other Nonmajor Governmental Funds	Total
<b>Revenue</b>			
Local Sources	\$ 3,459,125	\$ 1,388,881	\$ 4,848,006
State Sources	11,212,605	45,213	11,257,818
Federal Sources	1,354,370	465,631	1,820,001
Interdistrict and Other Sources	<u>108,046</u>	<u>-</u>	<u>108,046</u>
<b>Total Revenue</b>	<b><u>16,134,146</u></b>	<b><u>1,899,725</u></b>	<b><u>18,033,871</u></b>
<b>Expenditures</b>			
Instruction	10,314,286	-	10,314,286
Support Services	5,096,758	-	5,096,758
Athletics	-	261,828	261,828
Food Service	-	775,362	775,362
Community Services	207,493	-	207,493
Architecture and Engineering Services	1,510	-	1,510
Debt Service			
Principal	28,800	940,000	968,800
Interest and Fees	<u>1,235</u>	<u>370,734</u>	<u>371,969</u>
<b>Total Expenditures</b>	<b><u>15,650,082</u></b>	<b><u>2,347,924</u></b>	<b><u>17,998,006</u></b>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	805,718	-	805,718
Prior Period Adjustments	(6,852)	-	(6,852)
Transfers in	-	415,755	415,755
Transfers out	<u>(415,755)</u>	<u>-</u>	<u>(415,755)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>383,111</u></b>	<b><u>415,755</u></b>	<b><u>798,866</u></b>
<b>Net Change in Fund Balance</b>	<b>867,175</b>	<b>(32,444)</b>	<b>834,731</b>
<b>Fund Balance - July 1</b>	<b><u>2,271,405</u></b>	<b><u>575,494</u></b>	<b><u>2,846,899</u></b>
<b>Fund Balance - June 30</b>	<b><u>\$ 3,138,580</u></b>	<b><u>\$ 543,050</u></b>	<b><u>\$ 3,681,630</u></b>



**HARRISON COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO NET ASSETS  
YEAR ENDED JUNE 30, 2007**

Statement V

**Total Fund Balances - Governmental Funds** **\$ 3,681,630**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost of Capital Assets	19,466,632
Accumulated Depreciation	(6,609,582)

Other assets not available to pay current period expenditures therefore deferred in the funds

8,096

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Deferred Bond Issue Costs	92,077
Bond and Notes Payable	(11,262,950)
Compensated absences and severance pay	(1,439,777)

Accrued interest payable is not included as a liability in the governmental activities

(49,088)

**Total Net Assets - Governmental Activities** **\$ 3,887,038**

**HARRISON COMMUNITY SCHOOLS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007**

Statement VI

**Net Change in Fund Balances - Total Governmental Funds** **\$ 834,731**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(452,416)	
Capital Outlay	<u>17,900</u>	
		(434,516)

Repayments of bond and note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	968,800
---	---------

Governmental funds do not report interest until it is paid; interest is recorded when incurred in the statement of activities.	10,501
--	--------

Amortization of deferred bond issue costs is reported in the statement of activities but not in the governmental funds	(7,717)
--	---------

Amortization of bond premium/discounts is reported in the statement of activities but not in the governmental funds	(7,978)
---	---------

Deferred Loss on bond refinancing is reported in the statement of activities but not in the governmental funds	(203,697)
--	-----------

Payments on severance agreements is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	322,219
---	---------

Added liability for new severance agreements entered into does not become an expenditure in the governmental funds until it is due, in the statement of activities it is an expense and increase in the long-term debt	(145,807)
--	-----------

Changes in the long term portion of compensated absences are reported as expenditures when financial resources are used in the governmental funds; in the statement of activities they are reported as accrued	64,060
--	--------

Amounts received for sales of fixed assets are reported as revenue in the governmental funds; in the statement of activities the net gain or loss of the sale is recognized	(366,545)
---	-----------

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	<u>1,681</u>
--	--------------

**Change in Net Assets of Governmental Activities** **\$ 1,035,732**

**HARRISON COMMUNITY SCHOOLS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

Statement VII

2007

**Assets**

Cash and cash equivalents

**\$ 110,082**

**Liabilities**

Due to Student Groups

**\$ 110,082**

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Harrison Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**A. Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements ( i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are reasonably expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the district.

The school district reports the following major governmental funds:

The **General Fund** is the schools district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Additionally, the school district reports the following fund types:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The school service funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The school district maintains full control of these funds. The school service funds maintained by the school district are the Athletics Fund, and Food Service Fund.

**Debt Retirement Funds** are used to account for the accumulation of funds, and for the payment of, general long-term debt principal, interest, and related costs. The debt retirement funds maintained by the school district are the 1998 Debt Fund, 1999 Debt Fund, Energy Bond Debt Fund, and Durant Debt Fund.

**Fiduciary Funds** are used to account for assets held by the school district in a trustee capacity or an agent. Fiduciary fund net assets and results of operations are not included in the district-wide statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The school district presently maintains a Student Activities Fund to record the transactions for student and parent groups for school and school-related purposes.

**D. Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**E. Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. Receivables and Payables (Cont'd)**

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The taxing units that comprise the district levy taxes in December. The final collection date is February 28, after which uncollected taxes are turned over to the respective counties which pay off the delinquent real assessments and add the personal assessments to the county delinquent tax rolls.

Categorical grant program monies from State and Federal sources can only be used for specific costs. Any excess of funds received over expenditures from such funds are reported as deferred revenue or as liabilities to the funding agency if no future expenditures are allowable out of the remaining funds.

A liability is recorded for those amounts owed to teachers and other employees of the district who do not work during the summer when school is not in session but who have elected to have their salaries paid over the entire year. Likewise health insurance and other related benefits are also accrued in order to properly match the expenditures with the fiscal year in which the services of these employees were received.

**F. Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the district-wide and fund financial statements.

**G. Capital Assets**

Capital assets, which include land, buildings, site improvements, equipment, and vehicles are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and additions	20-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years

**H. Compensated Absences**

It is the district's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay subject to payout on retirement is accrued when incurred in the district-wide financial statements. The liability for sick and similar leave absences has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A current liability for these amounts is reported in the fund financial statements only if they have matured, for example, as a result of employee retirement.

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**H. Compensated Absences (Cont'd)**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**I. Long-Term Obligations**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. Comparative Data/Reclassifications**

Comparative Data is not included in the school district's basic financial statements.

**L. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level for the general fund and at the fund level for the athletics and food service funds. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. The School District amended its budget at various times during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)**

Excess of Expenditures Over Appropriations in Budgeted Funds - The following individual funds incurred expenditures in excess of the legal level of appropriations for the year ended June 30, 2007:

	Budgeted		Actual		Excess
<u>General Fund</u>	<u>Expenditures</u>		<u>Expenditures</u>		<u>Expenditures</u>
Facilities Acquisition					
Architecture and Engineering Services	\$ -		\$ 1,510		\$ 1,510
<u>Food Service Fund</u>	754,857		775,362		20,505

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Investment rate risk.* The School District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the School District's cash requirement.

*Foreign currency risk.* The School District is not authorized to invest in investments, which have this type of risk.

*Credit Risk.* The School District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the School District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the School District will do business in accordance with the School District's investment policy.

*Concentration of credit risk.* The School District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$2,945,386 of the School District's bank balance of \$3,145,386 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of failure of the counterparty, the School district would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investments are categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered, or securities held by the School District of the School District's agent in the School District's name. Category 2 includes investment that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the School District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the School District's name. At year end, the School District had no investments.



**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 3 - DEPOSITS AND INVESTMENTS (Cont'd)**

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

The School Board has designated two banks for deposit of School District funds and had no investments other than deposits with financial institutions at June 30, 2007.

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 2,755,660	\$ 110,082	\$ 2,865,742

At year end, the carrying amount of the district's cash and cash equivalents was comprised of the

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits with Financial Institutions			
Cash in Time and Interest bearing Savings Accounts	\$ 2,741,572	\$ -	\$ 2,741,572
Cash in Non-Interest Bearing Checking Accounts	14,088	110,082	124,170
Total Cash and Cash Equivalents	<u>\$ 2,755,660</u>	<u>\$ 110,082</u>	<u>\$ 2,865,742</u>

Amounts covered by federal depository insurance were as follows:

	<u>Insured (FDIC)</u>	<u>Uninsured</u>	<u>Total</u>
Carrying Amount	\$ 200,000	\$ 2,665,742	\$ 2,865,742
Bank Balances	\$ 200,000	\$ 2,945,386	\$ 3,145,386

Larger amounts of deposits with financial institutions were uninsured and uncollateralized during the year than at year end due to varying cash flows. The school district believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. The School District places its deposits with high quality financial institutions. Although such deposits exceed federal limits, they are, in the opinion of the School District, subject to minimal risk. The School District does not have a formal Investment Policy that addresses investment risk, foreign currency risk, credit risk, concentration of credit risk, or custodial credit risk.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the district's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Taxes	\$ 8,318	\$ 983	\$ 9,301
Accounts	3,881	343	4,224
Due from other governments	2,252,962	10,757	2,263,719
Gross receivables	2,265,161	12,083	2,277,244
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 2,265,161</u>	<u>\$ 12,083</u>	<u>\$ 2,277,244</u>

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 4 - RECEIVABLES (Cont'd)**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 8,096	\$ -
Grants Received in excess of expenditures		
Safe and Drug Free Schools	-	3,969
Restricted state aid received in excess of expenditures		
At Risk	-	54,889
Total deferred/unearned revenue for governmental funds	<u>\$ 8,096</u>	<u>\$ 58,858</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the school district's governmental activities was as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated:				
Land	\$ 289,002	\$ -	\$ 50,000	\$ 239,002
Capital assets being depreciated:				
Building and Improvements	19,001,481	-	293,822	18,707,659
Buses and other vehicles	1,619,503	8,500	1,578,503	49,500
Furniture and equipment	461,071	9,400	-	470,471
Total capital assets being depreciated	<u>21,082,055</u>	<u>17,900</u>	<u>1,872,325</u>	<u>19,227,630</u>
Accumulated depreciation:				
Building and Improvements	\$ (5,906,521)	\$ (346,127)	\$ (92,070)	\$ (6,160,578)
Buses and other vehicles	(1,436,921)	(69,490)	(1,463,711)	(42,700)
Furniture and equipment	(369,505)	(36,799)	-	(406,304)
Total accumulated depreciation	<u>(7,712,947)</u>	<u>(452,416)</u>	<u>(1,555,781)</u>	<u>(6,609,582)</u>
Net Capital assets being depreciated	<u>13,369,108</u>	<u>(434,516)</u>	<u>316,544</u>	<u>12,618,048</u>
Net capital assets	<u>\$ 13,658,110</u>	<u>\$ (434,516)</u>	<u>\$ 366,544</u>	<u>\$ 12,857,050</u>

Depreciation expense was charged to activities of the school district and reported on the district-wide statements as follows:

Governmental activities:	
Instruction	\$ 261,933
Support Services	146,029
Community Services	11,350
Food Services	2,489
Athletics	23,876
Site Improvement	6,739
Total governmental activities	<u>\$ 452,416</u>

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 38,785
General Fund	Athletics Fund	16,920
General Fund	1998 Debt Fund	12,492
Food Service Fund	General Fund	4,565
		<u>\$ 72,762</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2007 are expected to be repaid within one year.

<u>Transfer In to Fund</u>	<u>Transferred From Fund</u>	<u>Amount</u>
Athletics Fund	General Fund	\$ 187,364
Energy Bond Debt Fund	General Fund	228,391
		<u>\$ 415,755</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt services from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - SHORT TERM DEBT FINANCING**

During the year the school district issued state aid anticipation notes to assist with cash flow needs for general operations. A schedule of changes in these short term borrowings are as follows:

	<u>Balance July 1,</u> <u>2006</u>	<u>Additions</u>	<u>Payments /</u> <u>Reductions</u>	<u>Balance June 30,</u> <u>2007</u>
Issued \$870,000 on 8/19/2005	\$ 116,018	\$ -	\$ 116,018	\$ -
Issued \$1,200,000 on 8/18/2006	-	1,200,000	1,042,928	157,072
	<u>\$ 116,018</u>	<u>\$ 1,200,000</u>	<u>\$ 1,158,946</u>	<u>\$ 157,072</u>

**NOTE 8 - LONG TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Durant Bonds are funded by the State of Michigan via specifically appropriated State Aid and will not require any district debt levy or utilization of any other district financial resources. Other long-term obligations include compensated absences and severance pay.

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 8 - LONG TERM DEBT (Cont'd)**

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2006	Additions	Payments / Reductions	Balance June 30, 2007	Amount Due Within One Year
Bonded Debt	\$ 14,871,997	\$ -	\$ 940,000	\$ 13,931,997	\$ 1,010,000
Less deferred amounts:					
For Issuance discounts					
/losses	(2,880,722)	-	(211,675)	(2,669,047)	
Total Bonded Debt	11,991,275	-	728,325	11,262,950	
Bus Contracts Payable	28,800	-	28,800	-	-
Severance Payable	1,258,159	145,807	322,219	1,081,747	313,392
Compensated Absences	422,090	-	64,060	358,030	Unknown
Total governmental activity long-term liabilities	<u>\$ 13,700,324</u>	<u>\$ 145,807</u>	<u>\$ 1,143,404</u>	<u>\$ 12,702,727</u>	

Annual Debt service requirements to maturity for each of these debts is as follows:

**Bonded Debt**

Durant Bonds

Issued: November 1998

Original Amount: \$274,358

Interest: 4.76%

Due: May 15,

Fiscal Year Ended	Interest	Principal
2008	\$ -	\$ -
2009	3,998	15,269
2010	3,271	15,995
2011	34,657	94,791
2012	1,711	17,554
2013	875	18,388
	<u>\$ 44,512</u>	<u>\$ 161,997</u>

1998 Refunding Bonds

Issued: December 29, 1998

Original Amount: \$7,585,000

Interest: 3.75 - 4.50%

Due: May 1,

Fiscal Year Ended	Interest	Principal
2008	\$ 257,978	\$ 860,000
2009	222,288	770,000
2010	190,332	680,000
2011	161,774	745,000
2012	129,738	815,000
2013-2017	248,635	1,870,000
2018	11,025	245,000
	<u>\$ 1,221,770</u>	<u>\$ 5,985,000</u>

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 8 - LONG TERM DEBT (Cont'd)**

**Bonded Debt (Cont'd)**

1999 Refunding Bonds  
 Issued: February 19, 1999  
 Original Amount: \$5,775,000  
 Interest paid from escrow until 2009  
 Interest: 4.5-4.8%  
 Due: May 1,

<u>Fiscal Year Ended</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ -	\$ -
2009	-	-
2010	269,048	-
2011	269,048	-
2012	269,048	-
2013-2017	1,143,448	3,080,000
2018-2020	260,803	2,695,000
	<u>\$ 2,211,395</u>	<u>\$ 5,775,000</u>

Energy Bonds  
 Issued: July 28, 2005  
 Original Amount: \$2,305,000  
 Interest: 3.50 - 3.75%  
 Due: May 1,

<u>Fiscal Year Ended</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ 72,900	\$ 150,000
2009	67,650	155,000
2010	62,225	160,000
2011	56,625	170,000
2012	50,675	175,000
2013-2017	153,862	980,000
2018	8,250	220,000
	<u>\$ 472,187</u>	<u>\$ 2,010,000</u>

Total Bonded Debt \$ 3,949,864 \$ 13,931,997

**Severance Payments Payable**

<u>Fiscal Year Ended</u>	<u>Principal</u>
2008	\$ 313,392
2009	304,347
2010	276,797
2011	111,014
2012	72,004
2013-2014	4,193
	<u>\$ 1,081,747</u>

**Compensated Absences**

Amount estimated at June 30, 2007 \$ 358,030

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 8 - LONG TERM DEBT (Cont'd)**

**Advance Refundings**

On December 29, 1998 the District issued \$7,585,000 of General Obligation Bonds with an average interest rate of 4.38% for the purpose of refunding \$6,665,000 of the Districts 1994 Bonds which are callable on or after May 1, 2004 and are due and payable for the years 2007 through 2013, and to pay the costs of issuance of the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding resulted in a reduction \$28,698 in future debt service payments.

On February 19, 1999 the District issued \$5,775,000 of General Obligation Bonds with an average interest rate of 4.74% for the purpose of refunding \$1,953,664 of the Districts 1994 Bonds which are callable on or after May 1, 2009 and are due and payable for the years 2014 through 2020, and to pay the costs of issuance of the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding resulted in a reduction \$39,071 in future debt service payments.

**Durant Non-Plaintiff Bond**

Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to workers' compensation and the MASB/SEG (risk pool) for claims relating to property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operate as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at PO Box 30171, Lansing, MI 48909.

**Funding Policy** - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

Statement VIII

**NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS (Cont'd)**

The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.43 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 respectively were \$1,371,395, \$1,542,653, and \$1,393,403.

**Post Employment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for the Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

**NOTE 11 - CONTINGENCIES**

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30.

The District is subject to legal proceedings arising in the course of providing education to students. However, in the opinion of the School's attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the School.

**NOTE 12 - SUBSEQUENT EVENTS**

On August 20, 2007, the School District entered into short term borrowing for cash flow purposes in the form of State Aid Anticipation Note of \$1,100,000. This obligation will be paid back in seven equal monthly installments, including interest, of \$162,926 beginning in January 2008.

## **REQUIRED SUPPLEMENTAL INFORMATION**



**HARRISON COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON STATEMENT - GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

Schedule 1

	Original Budget	Final Amended Budget	Actual
<b>Revenue</b>			
Local Sources	\$ 3,210,146	\$ 3,411,171	\$ 3,459,125
State Sources	11,365,718	11,204,294	11,212,605
Federal Sources	2,077,893	1,517,059	1,354,370
Interdistrict and Other Sources	<u>79,250</u>	<u>79,250</u>	<u>108,046</u>
<b>Total Revenue</b>	<b><u>16,733,007</u></b>	<b><u>16,211,774</u></b>	<b><u>16,134,146</u></b>
<b>Expenditures</b>			
Instruction:			
Basic Program	6,786,823	6,706,526	6,658,053
Added Needs	3,994,046	3,752,825	3,656,233
Support Services			
Pupil	488,886	510,911	497,427
Instructional Staff	841,176	598,671	513,529
General Administration	297,457	310,864	302,877
School Administration	885,670	888,464	873,293
Business Services	367,149	352,232	343,400
Operations and Maintenance	1,500,559	1,471,148	1,459,796
Pupil Transportation	1,118,950	1,121,354	986,779
Central Services	135,895	143,026	119,657
Community Services			
Direction	167,128	175,285	173,000
Civic Activities	35,132	26,133	19,900
Non Public Schools	804	23,240	14,593
Architecture and Engineering Services	-	-	1,510
Debt Service	<u>30,021</u>	<u>28,800</u>	<u>28,800</u>
<b>Total Expenditures</b>	<b><u>16,649,696</u></b>	<b><u>16,109,479</u></b>	<b><u>15,648,847</u></b>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	-	529,570	805,718
Prior Period Adjustments	(35,000)	(10,000)	(6,852)
Operating Transfers Out	<u>(385,150)</u>	<u>(420,400)</u>	<u>(415,755)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(420,150)</u></b>	<b><u>99,170</u></b>	<b><u>383,111</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (336,839)</u></b>	<b><u>201,465</u></b>	<b><u>868,410</u></b>
<b>Fund Balance - July 1</b>		<b><u>2,271,405</u></b>	<b><u>2,271,405</u></b>
<b>Fund Balance - June 30</b>		<b><u>\$ 2,472,870</u></b>	<b><u>\$ 3,139,815</u></b>

## **OTHER SUPPLEMENTAL INFORMATION**

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007**

Schedule 2

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>				
	Food		Energy				
	Athletics	Service	1998 Debt	1999 Debt	Bond Debt	Durant Debt	Total
<b>Assets</b>							
Cash and Cash Equivalents	\$ 16,960	\$ 230,530	\$ 357,852	\$ 2,420	\$ -	\$ -	\$ 607,762
Accounts Receivable	-	343	-	-	-	-	343
Taxes Receivable	-	-	983	-	-	-	983
Due from Other Funds	-	4,565	-	-	-	-	4,565
Due from Other Governments	-	8,912	1,845	-	-	-	10,757
Inventories	-	17,833	-	-	-	-	17,833
<b>Total Assets</b>	<b>\$ 16,960</b>	<b>\$ 262,183</b>	<b>\$ 360,680</b>	<b>\$ 2,420</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 642,243</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 40	\$ 30,148	\$ -	\$ -	\$ -	\$ -	\$ 30,188
Due to Other Funds	16,920	38,785	12,492	-	-	-	68,197
Deferred Revenue	-	-	808	-	-	-	808
<b>Total Liabilities</b>	<b>16,960</b>	<b>68,933</b>	<b>13,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,193</b>
<b>Fund Balances</b>							
Reserved for Inventories	-	17,833	-	-	-	-	17,833
Reserved for Debt Service	-	-	347,380	2,420	-	-	349,800
Unreserved-Undesignated	-	175,417	-	-	-	-	175,417
<b>Total Fund Balance</b>	<b>-</b>	<b>193,250</b>	<b>347,380</b>	<b>2,420</b>	<b>-</b>	<b>-</b>	<b>543,050</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,960</b>	<b>\$ 262,183</b>	<b>\$ 360,680</b>	<b>\$ 2,420</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 642,243</b>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

Schedule 3

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>				
		Food			Energy		
	Athletics	Service	1998 Debt	1999 Debt	Bond Debt	Durant Debt	Total
<b>Revenue</b>							
Local Sources	\$ 71,867	\$ 232,510	\$ 1,084,504	\$ -	\$ -	\$ -	\$ 1,388,881
State Sources	-	45,213	-	-	-	-	45,213
Federal Sources	-	465,631	-	-	-	-	465,631
<b>Total Revenue</b>	<b>71,867</b>	<b>743,354</b>	<b>1,084,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,899,725</b>
<b>Expenditures</b>							
Support Services							
Athletics	261,828	-	-	-	-	-	261,828
Food Service	-	775,362	-	-	-	-	775,362
Debt Service							
Principal	-	-	790,000	-	150,000	-	940,000
Interest and Fees	-	-	291,618	725	78,391	-	370,734
<b>Total Expenditures</b>	<b>261,828</b>	<b>775,362</b>	<b>1,081,618</b>	<b>725</b>	<b>228,391</b>	<b>-</b>	<b>2,347,924</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	187,364	-	-	-	228,391	-	415,755
<b>Total Other Financing Sources (Uses)</b>	<b>187,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,391</b>	<b>-</b>	<b>415,755</b>
<b>Net Change in Fund Balance</b>	<b>(2,597)</b>	<b>(32,008)</b>	<b>2,886</b>	<b>(725)</b>	<b>-</b>	<b>-</b>	<b>(32,444)</b>
<b>Fund Balance - July 1</b>	<b>2,597</b>	<b>225,258</b>	<b>344,494</b>	<b>3,145</b>	<b>-</b>	<b>-</b>	<b>575,494</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ 193,250</b>	<b>\$ 347,380</b>	<b>\$ 2,420</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 543,050</b>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual information for the Year Ended June 30, 2006)

Schedule 4

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>Revenue</b>				
<b>Local Sources</b>				
Property Taxes	\$ 3,268,921	\$ 3,252,951	\$ 15,970	\$ 2,926,307
Other Taxes	2,500	-	2,500	376
Payments in Lieu of Taxes	-	3,053	(3,053)	-
Penalties and Interest on Delinquent Taxes/Taxes Abated	2,000	746	1,254	3,161
Tuition	-	3,060	(3,060)	4,160
Transportation Fees	-	285	(285)	2,137
Interest Earnings	50,000	83,831	(33,831)	22,100
Admissions	-	290	(290)	-
Rentals	24,000	25,986	(1,986)	4,782
Fees for Services	18,750	29,302	(10,552)	25,876
Contributions from Private Sources	19,000	23,025	(4,025)	43,205
Miscellaneous	26,000	36,596	(10,596)	9,132
<b>Total Local Sources</b>	<b>3,411,171</b>	<b>3,459,125</b>	<b>(47,954)</b>	<b>3,041,236</b>
<b>State Sources</b>				
State Aid Unrestricted	9,344,314	9,331,925	12,389	9,988,215
State Aid Restricted	1,859,980	1,880,112	(20,132)	1,654,429
State Aid Restricted through Local District	-	568	(568)	-
<b>Total State Sources</b>	<b>11,204,294</b>	<b>11,212,605</b>	<b>(8,311)</b>	<b>11,642,644</b>
<b>Federal Sources</b>				
Direct Federal	22,589	22,802	(213)	22,236
Federal Received through the State	1,484,735	1,325,802	158,933	1,674,267
Federal Received through Other Districts	9,735	5,766	3,969	12,307
<b>Total Federal Sources</b>	<b>1,517,059</b>	<b>1,354,370</b>	<b>162,689</b>	<b>1,708,810</b>
<b>Interdistrict and Other Sources</b>				
From other Districts	3,000	8,112	(5,112)	97,531
Transportation Fees from Other Districts	63,250	84,256	(21,006)	6,450
Other	13,000	15,678	(2,678)	14,351
<b>Total Interdistrict and Other Sources</b>	<b>79,250</b>	<b>108,046</b>	<b>(28,796)</b>	<b>118,332</b>
<b>Total Revenue</b>	<b>16,211,774</b>	<b>16,134,146</b>	<b>77,628</b>	<b>16,511,022</b>
<b>Other Financing Sources</b>				
Sale of Fixed Assets	529,570	805,718	(276,148)	600
<b>Total Other Financing Sources</b>	<b>529,570</b>	<b>805,718</b>	<b>(276,148)</b>	<b>600</b>
<b>Total Revenue and Other Financing Sources</b>	<b>\$ 16,741,344</b>	<b>\$ 16,939,864</b>	<b>\$ (198,520)</b>	<b>\$ 16,511,622</b>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
INSTRUCTION				
Basic Programs				
Elementary				
Salaries	\$ 1,635,644	\$ 1,633,767	\$ 1,877	\$ 1,875,495
Employee Benefits	801,874	792,388	9,486	872,530
Purchased Services	55,350	49,653	5,697	1,140
Supplies and Materials	67,800	51,488	16,312	47,945
Capital Outlay	-	-	-	-
Other	400	95	305	144
Total Elementary	2,561,068	2,527,391	33,677	2,797,254
Middle School				
Salaries	1,090,270	1,090,290	(20)	1,240,876
Employee Benefits	557,397	555,906	1,491	590,088
Purchased Services	21,241	13,717	7,524	286
Supplies and Materials	41,000	27,168	13,832	46,096
Capital Outlay	-	-	-	1,412
Other	1,100	1,204	(104)	845
Total Middle School	1,711,008	1,688,285	22,723	1,879,603
High School				
Salaries	1,429,960	1,435,832	(5,872)	1,510,466
Employee Benefits	679,203	677,932	1,271	717,319
Purchased Services	44,698	43,304	1,394	13,388
Supplies and Materials	49,929	47,648	2,281	101,475
Capital Outlay	-	-	-	3,443
Other	5,100	3,480	1,620	3,943
Total High School	2,208,890	2,208,196	694	2,350,034
Pre-School Instruction				
Salaries	139,603	139,001	602	132,393
Employee Benefits	70,808	71,406	(598)	66,363
Purchased Services	2,150	2,082	68	431
Supplies and Materials	7,000	6,784	216	5,088
Capital Outlay	-	-	-	-
Other	900	907	(7)	451
Total Pre-School Instruction	220,461	220,180	281	204,726

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>INSTRUCTION Continued</b>				
<b>Basic Programs Continued</b>				
Summer School				
Salaries	\$ 3,894	\$ 11,075	\$ (7,181)	\$ 10,923
Employee Benefits	1,205	2,737	(1,532)	2,562
Purchased Services	-	-	-	-
Supplies and Materials	-	189	(189)	-
Capital Outlay	-	-	-	-
Other	-	-	-	-
Total Summer School	5,099	14,001	(8,902)	13,485
<b>Total Basic Programs</b>	6,706,526	6,658,053	48,473	7,245,102
<b>Added Needs</b>				
Special Education				
Salaries	1,347,043	1,307,451	39,592	1,402,561
Employee Benefits	780,155	784,552	(4,397)	798,576
Purchased Services	24,800	23,431	1,369	13,806
Supplies and Materials	12,200	10,229	1,971	18,264
Capital Outlay	-	-	-	320
Other	300	-	300	201
Total Special Education	2,164,498	2,125,663	38,835	2,233,728
Compensatory Education				
Salaries	887,335	887,382	(47)	911,043
Employee Benefits	465,128	436,952	28,176	469,857
Purchased Services	27,503	27,584	(81)	17,645
Supplies and Materials	68,642	40,447	28,195	95,207
Capital Outlay	-	-	-	-
Other	1,300	1,095	205	2,811
Total Compensatory Education	1,449,908	1,393,460	56,448	1,496,563
Vocational Education				
Salaries	44,951	44,951	-	27,682
Employee Benefits	24,218	23,959	259	15,224
Purchased Services	66,750	66,750	-	68,125
Supplies and Materials	2,500	1,450	1,050	1,089
Capital Outlay	-	-	-	-
Other	-	-	-	-
Total Vocational Education	138,419	137,110	1,309	112,120
<b>Total Added Needs</b>	3,752,825	3,656,233	96,592	3,842,411
<b>TOTAL INSTRUCTION</b>	<b>\$ 10,459,351</b>	<b>\$ 10,314,286</b>	<b>\$ 145,065</b>	<b>\$ 11,087,513</b>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>SUPPORTING SERVICES</b>				
<b>Pupil Services</b>				
Guidance Services				
Salaries	\$ 151,162	\$ 148,239	\$ 2,923	\$ 140,417
Employee Benefits	77,547	76,248	1,299	71,658
Purchased Services	-	162	(162)	105
Supplies and Materials	6,750	3,574	3,176	4,544
Capital Outlay	-	-	-	1,892
Other	400	240	160	861
Total Guidance Services	235,859	228,463	7,396	219,477
Health Services				
Salaries	41,736	41,497	239	33,607
Employee Benefits	27,193	26,719	474	12,721
Purchased Services	1,266	1,079	187	256
Supplies and Materials	2,722	1,772	950	2,404
Capital Outlay	-	-	-	370
Other	335	500	(165)	412
Total Health Services	73,252	71,567	1,685	49,770
Other Pupil Services				
Salaries	79,378	76,283	3,095	76,792
Employee Benefits	80,072	79,269	803	78,460
Purchased Services	40,250	40,247	3	39,157
Supplies and Materials	275	274	1	99
Capital Outlay	-	-	-	-
Other	1,825	1,324	501	1,600
Total Other Pupil Services	201,800	197,397	4,403	196,108
<b>Total Pupil Services</b>	<b>510,911</b>	<b>497,427</b>	<b>13,484</b>	<b>465,355</b>
<b>Instructional Staff</b>				
Improvement of Instruction				
Salaries	73,183	73,165	18	110,294
Employee Benefits	18,331	19,222	(891)	29,696
Purchased Services	207,724	140,430	67,294	150,174
Supplies and Materials	107,518	87,997	19,521	127,770
Capital Outlay	-	-	-	-
Other	3,059	3,492	(433)	1,945
Total Improvement of Instruction	409,815	324,306	85,509	419,879



**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>SUPPORTING SERVICES Continued</b>				
<b>Instructional Staff Continued</b>				
Educational Media Services				
Salaries	\$ 14,805	\$ 14,095	\$ 710	\$ 13,992
Employee Benefits	10,079	9,885	194	9,714
Purchased Services	1,000	400	600	695
Supplies and Materials	7,800	5,970	1,830	7,275
Capital Outlay	-	-	-	-
Other	57,680	57,855	(175)	51,730
Total Educational Media Service	91,364	88,205	3,159	83,406
Computer Assisted Instruction				
Purchased Services	2,500	2,500	-	17,264
Supplies and Materials	2,784	2,784	-	-
Total Computer Assisted Instruction	5,284	5,284	-	17,264
Supervision and Direction of Instructional Staff				
Salaries	40,659	43,464	(2,805)	24,103
Employee Benefits	16,461	16,772	(311)	12,703
Purchased Services	-	219	(219)	136
Supplies and Materials	17,280	17,471	(191)	6,749
Capital Outlay	-	-	-	-
Other	-	-	-	-
Total Supervision and Direction of Instructional Staff	74,400	77,926	(3,526)	43,691
Academic Student Assessment				
Supplies and Materials	17,808	17,808	-	17,974
Other	-	-	-	4,800
Total Academic Student Assessment	17,808	17,808	-	22,774
<b>Total Instructional Staff</b>	<b>598,671</b>	<b>513,529</b>	<b>85,142</b>	<b>587,014</b>
<b>General Administration</b>				
Board of Education				
Employee Benefits	62,000	64,998	(2,998)	68,108
Purchased Services	2,000	1,960	40	1,780
Supplies and Materials	40	-	40	37
Other	20,800	10,521	10,279	16,163
Total Board of Education	84,840	77,479	7,361	86,088

**HARRISON COMMUNITY SCHOOLS**  
**OTHER SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>SUPPORTING SERVICES Continued</b>				
<b>General Administration Continued</b>				
Executive Administration				
Salaries	\$ 141,532	\$ 141,385	\$ 147	\$ 138,859
Employee Benefits	70,257	70,051	206	67,380
Purchased Services	6,400	5,629	771	5,997
Supplies and Materials	3,835	4,831	(996)	2,278
Capital Outlay	-	-	-	614
Other	4,000	3,502	498	2,786
Total Executive Administration	226,024	225,398	626	217,914
<b>Total General Administration</b>	310,864	302,877	7,987	304,002
<b>School Administration</b>				
Office of the Principals				
Salaries	544,702	541,460	3,242	654,506
Employee Benefits	328,407	324,717	3,690	369,318
Purchased Services	1,605	377	1,228	1,735
Supplies and Materials	12,015	5,299	6,716	11,107
Capital Outlay	-	90	(90)	-
Other	1,735	1,350	385	2,918
<b>Total School Administration</b>	888,464	873,293	15,171	1,039,584
<b>Business Services</b>				
Fiscal Services				
Salaries	196,590	195,898	692	176,652
Employee Benefits	95,642	95,564	78	98,940
Purchased Services	2,000	1,482	518	1,486
Supplies and Materials	4,000	1,653	2,347	4,623
Capital Outlay	-	1,374	(1,374)	-
Other	4,000	1,264	2,736	8,195
Total Fiscal Services	302,232	297,235	4,997	289,896
Other Business Services				
Purchased Services	20,000	19,494	506	19,426
Other	30,000	26,671	3,329	14,831
Total Other Business Services	50,000	46,165	3,835	34,257
<b>Total Business Services</b>	352,232	343,400	8,832	324,153

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>SUPPORTING SERVICES Continued</b>				
<b>Operations and Maintenance</b>				
Building Operations				
Salaries	\$ 118,219	\$ 116,048	\$ 2,171	\$ 498,174
Employee Benefits	88,213	107,213	(19,000)	347,916
Purchased Services	829,666	814,366	15,300	398,785
Supplies and Materials	412,050	402,331	9,719	553,199
Capital Outlay	22,000	19,364	2,636	13,389
Other	500	474	26	425
Total Building Operations	1,470,648	1,459,796	10,852	1,811,888
Security Services				
Purchased Services	500	-	500	339
<b>Total Operations and Maintenance</b>	<b>1,471,148</b>	<b>1,459,796</b>	<b>11,352</b>	<b>1,812,227</b>
<b>Pupil Transportation</b>				
Salaries	1,090	1,001	89	416,042
Employee Benefits	85,764	52,890	32,874	305,877
Purchased Services	934,450	845,795	88,655	30,797
Supplies and Materials	100,000	87,049	12,951	117,583
Capital Outlay	-	-	-	-
Other	50	44	6	2,506
<b>Total Pupil Transportation</b>	<b>1,121,354</b>	<b>986,779</b>	<b>134,575</b>	<b>872,805</b>
<b>Central Services</b>				
Central Support Services				
Purchased Services	11,000	6,000	5,000	4,000
Staff/Personnel Services				
Salaries	-	-	-	3,000
Employee Benefits	-	-	-	236
Purchased Services	17,000	6,719	10,281	1,825
Total Staff/Personnel Services	17,000	6,719	10,281	5,061
Information Management				
Salaries	29,180	29,179	1	44,308
Employee Benefits	11,876	11,553	323	25,111
Purchased Services	36,150	34,591	1,559	12,930
Supplies and Materials	2,500	153	2,347	309
Capital Outlay	7,820	7,819	1	-
Other	9,500	7,678	1,822	9,350
Total Information Management	97,026	90,973	6,053	92,008

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>SUPPORTING SERVICES Continued</b>				
<b>Central Services Continued</b>				
Data Processing				
Purchased Services	\$ 18,000	\$ 15,965	\$ 2,035	\$ 8,099
Capital Outlay	-	-	-	-
Total Data Processing	18,000	15,965	2,035	8,099
<b>Total Central Services</b>	143,026	119,657	23,369	109,168
<b>TOTAL SUPPORTING SERVICES</b>	<b>\$ 5,396,670</b>	<b>\$ 5,096,758</b>	<b>\$ 299,912</b>	<b>\$ 5,514,308</b>
<b>COMMUNITY SERVICES</b>				
<b>Direction</b>				
Salaries	112,065	111,656	409	129,236
Employee Benefits	59,720	59,791	(71)	63,780
Purchased Services	1,650	534	1,116	1,087
Supplies and Materials	700	255	445	455
Capital Outlay	-	-	-	411
Other	1,150	764	386	1,057
<b>Total Direction</b>	175,285	173,000	2,285	196,026
<b>Civic Activities</b>				
Purchased Services	8,630	5,847	2,783	5,236
Supplies and Materials	17,133	13,683	3,450	13,925
Other	370	370	-	3,301
<b>Total Civic Activities</b>	26,133	19,900	6,233	22,462
<b>Non-Public Schools</b>				
Purchased Services	9,565	2,834	6,731	-
Supplies and Materials	13,675	11,759	1,916	445
<b>Total Non-Public Schools</b>	23,240	14,593	8,647	445
<b>Drivers Education</b>				
Salaries	-	-	-	4,680
Employee Benefits	-	-	-	1,093
Purchased Services	-	-	-	603
<b>Total Drivers Education</b>	-	-	-	6,376
<b>TOTAL COMMUNITY SERVICES</b>	<b>\$ 224,658</b>	<b>\$ 207,493</b>	<b>\$ 17,165</b>	<b>\$ 225,309</b>
<b>SITE IMPROVEMENT SERVICES</b>				
Capital Outlay	-	-	-	27,620

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 5

	2007		(Over) Under	
	Budget	Actual	Budget	2006 Actual
<b>ARCHITECTURE AND ENGINEERING SERVICES</b>				
Purchased Services	\$ -	\$ 1,510	\$ (1,510)	\$ -
<b>NON MATERIAL PRIOR PERIOD ADJUSTMENTS</b>				
Other	10,000	6,852	3,148	10,598
<b>DEBT SERVICE</b>				
Principal Payments	28,800	28,800	-	57,180
Interest and Fees	1,235	1,235	-	3,999
<b>TOTAL DEBT SERVICE</b>	<u>30,035</u>	<u>30,035</u>	<u>-</u>	<u>61,179</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 16,120,714</b>	<b>\$ 15,656,934</b>	<b>\$ 463,780</b>	<b>\$ 16,926,527</b>
<b>OTHER FINANCING USES</b>				
Fund Modifications				
Athletics Fund	192,000	187,364	4,636	146,361
Energy Bond Debt Fund	228,400	228,391	9	208,353
<b>TOTAL OTHER FINANCING USES</b>	<u>420,400</u>	<u>415,755</u>	<u>4,645</u>	<u>354,714</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><b>\$ 16,541,114</b></u>	<u><b>\$ 16,072,689</b></u>	<u><b>\$ 468,425</b></u>	<u><b>\$ 17,281,241</b></u>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
ATHLETICS FUND  
SCHEDULE OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 6

	<u>2007</u>			
			(Over)	
	Budget	Actual	Under	2006
			Budget	Actual
<b>Revenue</b>				
Admissions and Fees		\$ 66,827		\$ 62,291
Contributions and Other	-	5,040	-	16,204
<b>Total Revenue</b>	<b>\$ 71,000</b>	<b>\$ 71,867</b>	<b>\$ (867)</b>	<b>\$ 78,495</b>
<b>Expenditures</b>				
Salaries		108,558		121,900
Employee Benefits		26,816		28,606
Purchased Services		94,174		41,355
Supplies and Materials		19,029		23,354
Other		13,251		13,085
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 265,597</b>	<b>\$ 261,828</b>	<b>\$ 3,769</b>	<b>\$ 228,300</b>
<b>Other Financing Sources</b>				
Transfers In	<b>192,000</b>	<b>187,364</b>	<b>4,636</b>	<b>146,361</b>
<b>Net Change in Fund Balance</b>	<b>(2,597)</b>	<b>(2,597)</b>	<b>-</b>	<b>(3,444)</b>
<b>Fund Balance - July 1</b>	<b>2,597</b>	<b>2,597</b>	<b>-</b>	<b>6,041</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,597</b>

**HARRISON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
FOOD SERVICE FUND  
SCHEDULE OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2007**

(With Comparative Actual Information for the Year Ended June 30, 2006)

Schedule 7

	<u>2007</u>		(Over)	
	<u>Budget</u>	<u>Actual</u>	<u>Under</u>	<u>2006</u>
			<u>Budget</u>	<u>Actual</u>
<b>Revenue</b>				
Local Sources				
Sales		\$ 172,750		\$ 188,238
Miscellaneous		49,387		66,046
Interest Revenue		<u>10,373</u>		<u>6,809</u>
Total Local Sources		232,510		261,093
State Sources				
Restricted State Aid		45,213		49,065
Federal Sources				
Federal Aid Received through the State		432,005		447,789
USDA Food Commodities		<u>33,626</u>		<u>29,808</u>
Total Federal Sources	<u>-</u>	<u>465,631</u>	<u>-</u>	<u>477,597</u>
<b>Total Revenue</b>	<b><u>\$ 730,000</u></b>	<b><u>\$ 743,354</u></b>	<b><u>\$ (13,354)</u></b>	<b><u>\$ 787,755</u></b>
<b>Expenditures</b>				
Salaries		165,379		146,784
Employee Benefits		165,296		158,098
Purchased Services		141,845		154,025
Supplies and Materials		302,542		323,208
Other		300		530
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<b><u>\$ 754,857</u></b>	<b><u>\$ 775,362</u></b>	<b><u>\$ (20,505)</u></b>	<b><u>\$ 782,645</u></b>
<b>Net Change in Fund Balance</b>	<b>(24,857)</b>	<b>(32,008)</b>	<b>7,151</b>	<b>5,110</b>
<b>Fund Balance - July 1</b>	<b><u>225,258</u></b>	<b><u>225,258</u></b>	<b><u>-</u></b>	<b><u>220,148</u></b>
<b>Fund Balance - June 30</b>	<b><u>\$ 200,401</u></b>	<b><u>\$ 193,250</u></b>	<b><u>\$ 7,151</u></b>	<b><u>\$ 225,258</u></b>

## **OTHER SUPPLEMENTAL - COMPLIANCE**



**HARRISON COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007**

Exhibit 1

<b><u>FEDERAL GRANTOR</u></b>			Accrued				Accrued	
<b>Pass-Through Grantor</b>			(Deferred)	Memo Only		Current Year	(Deferred)	
PROGRAM TITLE	CFDA	Grant Award	Revenue	Prior Year	Current Year	Receipts	Revenue	Revenue
Project Number/Description	Number	Amount	07/01/06	Expenditures	Expenditures	(Returns)	06/30/07	Recognized
<b><u>US DEPARTMENT OF DEFENSE</u></b>								
<b>United States Marines Corp</b>								
ROTC	Unknown	\$ 22,802	\$ 1,836	\$ 22,236	\$ 22,802	\$ 22,711	\$ 1,927	\$ 22,802
<b><u>US DEPARTMENT OF AGRICULTURE</u></b>								
SUMMER FOOD PROGRAM	10.559	\$ 17,970	\$ 10,066	\$ 26,314	\$ 16,815	\$ 17,970	\$ 8,912	\$ 16,816
<b>Passed Through Michigan Department of Education</b>								
USDA DONATED COMMODITIES	10.550							
Entitlement Commodities FY 06-07		33,480	-	27,395	33,480	33,480	-	33,480
Bonus Commodities FY 06-07		146	-	2,413	146	146	-	146
Total Commodities		33,626	-	29,808	33,626	33,626	-	33,626
CHILD NUTRITION CLUSTER:								
NATIONAL SCHOOL LUNCH PROGRAM	10.555							
FY 06-07		308,689	-	323,612	308,689	308,689	-	308,689
NATIONAL SCHOOL LUNCH - BREAKFAST PROGRAM	10.553							
FY 06-07		106,501	-	97,863	106,501	106,501	-	106,501
Total Child Nutrition Cluster		415,190	-	421,475	415,190	415,190	-	415,190
CHILD CARE FOOD PROGRAM	10.558	2,879	-	3,189	2,879	2,879	-	2,879
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>		<b>\$ 469,665</b>	<b>\$ 10,066</b>	<b>\$ 480,786</b>	<b>\$ 468,510</b>	<b>\$ 469,665</b>	<b>\$ 8,912</b>	<b>\$ 468,511</b>
<b><u>US DEPARTMENT OF EDUCATION</u></b>								
<b>Passed Through Michigan Department of Education</b>								
ECIA TITLE I	84.010							
051530-0506		129,284	35,870	129,284	-	35,870	-	-
051550-0506		36,131	5,303	24,948	11,183	16,486	-	11,183
061530-0506		818,703	224,451	798,505	20,198	244,649	-	20,198
061530-0607		122,974	-	-	122,974	83,265	39,709	122,974
071530-0607		755,127	-	-	698,402	510,127	188,275	698,402
Total ECIA Title I		1,862,219	265,624	952,737	852,757	890,397	227,984	852,757

TITLE V INNOVATIVE EDUC PROGRAM STRATEGIES	84.298							
050250-0506		2,217	2,217	2,217	-	2,217	-	-
060250-0506		10,937	9,157	9,157	1,780	10,937	-	1,780
070250-0607		4,704	-	-	4,704	-	4,704	4,704
Total VI Innovative Educ Program Strategies		17,858	11,374	11,374	6,484	13,154	4,704	6,484
TECHNOLOGY LITERACY CHALLENGE GRANTS	84.318							
064290-0506		17,567	1,527	16,726	841	2,368	-	841
072490-0607		8,700	-	-	6,959	7,798	(839)	6,959
Total Technology Literacy Challenge Grants		26,267	1,527	16,726	7,800	10,166	(839)	7,800
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332							
051870-0506		135,000	31,550	115,895	19,105	50,655	-	19,105
051880-0506		128,541	16,523	84,191	44,351	60,873	-	44,350
061870-0607		148,700	-	-	104,437	97,451	6,986	104,437
Total Comprehensive School Reform Demostration		412,241	48,073	200,086	167,893	208,979	6,986	167,892
RURAL AND LOW INCOME SCHOOLS	84.358							
060660-0506		63,284	127	63,284	-	127	-	-
070660-0607		58,726	-	-	53,723	32,624	21,099	53,723
Total Rural and Low Income Schools		122,010	127	63,284	53,723	32,751	21,099	53,723
TITLE II PART A IMPROVING TEACHER QUALITY	84.367							
050520-0506		180,998	70,266	180,998	-	70,266	-	-
060520-0506		134,292	613	120,813	13,479	14,092	-	13,479
060520-0607		71,630	-	-	71,630	21,250	50,380	71,630
070520-0607		199,355	-	-	148,271	133,123	15,148	148,271
Total Title II Part A Improving Teacher Quality		586,275	70,879	301,811	233,380	238,731	65,528	233,380
EMERG IMPACT AID-HURRICAN KATRINA GRANT	84.938							
064120-1		3,281	2,395	2,395	886	3,281	-	886
<b>Passed through Gratiot Isabella RESD</b>								
DRUG FREE SCHOOLS & COMMUNITIES	84.186	16,372	(3,353)	12,307	5,766	6,382	(3,969)	5,766
<b>TOTAL US DEPARTMENT OF EDUCATION</b>		<u>\$ 3,046,523</u>	<u>\$ 396,646</u>	<u>\$ 1,560,720</u>	<u>\$ 1,328,689</u>	<u>\$ 1,403,841</u>	<u>\$ 321,493</u>	<u>\$ 1,328,688</u>
<b>GRAND TOTAL</b>		<u><b>\$ 3,538,990</b></u>	<u><b>\$ 408,548</b></u>	<u><b>\$ 2,063,742</b></u>	<u><b>\$ 1,820,001</b></u>	<u><b>\$ 1,896,217</b></u>	<u><b>\$ 332,332</b></u>	<u><b>\$ 1,820,001</b></u>
<b>Total Direct Aid</b>		\$ 40,772	\$ 11,902	\$ 48,550	\$ 39,617	\$ 40,681	\$ 10,839	\$ 39,618
<b>Total Passed Through Michigan Department of Education</b>		3,481,846	399,999	2,002,885	1,774,618	1,849,154	325,462	1,774,617
<b>Total Passed Through By Other Agencies</b>		16,372	(3,353)	12,307	5,766	6,382	(3,969)	5,766
<b>Grand Total</b>		<u><b>\$ 3,538,990</b></u>	<u><b>\$ 408,548</b></u>	<u><b>\$ 2,063,742</b></u>	<u><b>\$ 1,820,001</b></u>	<u><b>\$ 1,896,217</b></u>	<u><b>\$ 332,332</b></u>	<u><b>\$ 1,820,001</b></u>

**HARRISON COMMUNITY SCHOOLS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

Exhibit 2

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used to prepare the Schedule of Expenditures of Federal Awards conform to generally accepted accounting principles as applicable to governmental entities. Refer to the Notes to the Financial Statements for additional explanations.

The Schedule of Expenditures of Federal Awards has been arranged in such a manner so as to provide information on both actual cash received and the resultant revenue recognized. Accordingly, the effect of accruals of Accounts Receivable, Deferred Revenue, and Accounts Payable have been reported.

**NOTE 2 - MICHIGAN DEPARTMENT OF EDUCATION REQUIRED DISCLOSURES**

The Grants Section Auditors Report (Form R7120) has been utilized in preparing the Schedule of Expenditures of Federal Awards. Applicable receipts reconcile with this schedule.

The amount reported on the Recipient Entitlement Balance Report or PAL Report agrees with this Schedule for USDA Donated Food Commodities.

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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October 16, 2007

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Harrison Community Schools  
Harrison, Michigan

We have audited the basic financial statements of Harrison Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Harrison Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Harrison Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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October 16, 2007

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Harrison Community Schools  
Harrison, Michigan

#### COMPLIANCE

We have audited the compliance of Harrison Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Harrison Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Harrison Community Schools' management. Our responsibility is to express an opinion on Harrison Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Harrison Community Schools' compliance with those requirements.

In our opinion, Harrison Community Schools complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

## INTERNAL CONTROL OVER COMPLIANCE

The management of Harrison Community Schools' is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Harrison Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Community Schools, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Harrison Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

**HARRISON COMMUNITY SCHOOLS**  
**HARRISON, MICHIGAN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**FINDINGS**

NONE



HARRISON COMMUNITY SCHOOLS  
HARRISON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Section I - Summary of Auditors Results**

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***Financial Statements***

Type of auditors' report issued: Unqualified

Significant deficiencies identified: \_\_\_\_\_ Yes      X   No

Significant deficiencies identified as material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

***Federal Awards***

Internal control over major programs:

Significant deficiencies identified: \_\_\_\_\_ Yes      X   No

Significant deficiencies identified as material weakness(es)? \_\_\_\_\_ Yes      X   None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?   X   Yes    \_\_\_\_\_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II - Financial Statement Findings**

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None

HARRISON COMMUNITY SCHOOLS  
HARRISON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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**Section III - Federal Award Findings and Questioned Costs**

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QUESTIONED  
COSTS  

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N/A

2007-1 U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster - CFDA No. 10.555 and 10.553

Passed Through Michigan Department of Education

Project No. - All Projects

Grant Period July 1, 2006 to June 30, 2007

Statement of Condition:

The District did not comply with National School Lunch Program (NSLP) regulation 7 CFR 210.8 (a) (1) regarding on-site reviews.

Criteria:

NSLP regulation 7 CFR 210.8 (a)(1) required that each School Food Authority (SFA) with more than one building conduct an annual on-site review in each building before February 1. A minimum of one on-site review per building is required; the district or SFA may conduct more reviews if needed.

Effect:

The District has not complied with NSLP regulation 7 CFR 210.8 (a)(1) without this record keeping requirement being met.

Cause:

District unable to locate the on-site review forms and food service director no longer works for the school.

Auditor Recommendation:

The District should complete the required on-site reviews set forth by NSLP regulation 7 CFR 210.8 (a)(1).

District Response:

The District will immediately begin to comply with this requirement.



# Harrison Community Schools

P.O. Box 529 • 224 W. Main St. • Harrison, Michigan 48625  
(989) 539-7871

## Corrective Action Plan

2007-1

### Lack of On-Site Reviews for Food Service Program

The District was unable to locate the completed on-site review forms due to a change in food service management companies and the former food service director no longer working in the District. The District will ensure compliance with the requirement by obtaining forms immediately after they are completed by building representatives.

#### Contact Information:

Kelly Hileman, Business Manager  
Harrison Community Schools  
224 W. Main  
P.O. Box 529  
Harrison, MI 48625  
989-539-7871 Ext 1002

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Kelly Hileman, Business Manager

10/30/2007

Date